

REPORT OF QUALIFYING EXAMINATION
Of
TIMBER PRODUCTS MANUFACTURERS TRUST

Spokane, Washington

As of August 31, 2004



Timber Products Manufacturers Trust

CHIEF EXAMINER AFFIDAVIT

I hereby certify I have read the attached Report on the Qualifying Examination of Timber Products Manufacturers Trust of Spokane, Washington. This report shows the financial condition and related corporate matters as of August 31, 2004.

A handwritten signature in black ink, reading "Patrick H. McNaughton". The signature is written in a cursive style with a large initial "P".

PATRICK H. McNAUGHTON
Chief Examiner

12-13-04

Date

Timber Products Manufacturers Trust

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Timber Products Manufacturers Trust

Seattle, Washington
December 1, 2004

The Honorable Mike Kreidler, Commissioner
Washington Office of Insurance Commissioner (OIC)
Insurance Building
PO Box 40255
Olympia, WA 98504-0255

Dear Commissioner Kreidler:

In accordance with your instructions and in compliance with the statutory requirements of RCW 48.03.010, a qualifying examination has been made of the corporate records and financial condition of

TIMBER PRODUCTS MANUFACTURERS TRUST

of

Spokane, Washington

hereinafter referred to as the "Trust." This report of examination is respectfully submitted showing the condition of the Company as of August 31, 2004.

SCOPE OF EXAMINATION

This examination of the Trust included verification of the Company's assets and liabilities as of August 31, 2004. The minimum surplus and cash deposits were tested for compliance with RCW 48.125.040(1)(b)(i)(A) and RCW 48.125.060. In addition, the examination included verification of compliance with the statutory requirements regarding the Trust's application for a Certificate of Authority to be a self-funded multiple employer welfare arrangement incorporated in the state of Washington.

Timber Products Manufacturers Trust

HISTORY

Timber Products Manufacturers Trust was formed by Timber Products Manufacturers, Inc. on August 4, 1960. The Trust was established to provide health benefits, including medical, hospital-medical-surgical benefits, dental and vision care benefits to participating employers. The Trust has been operating under Title I of the Employee Retirement Income Security Act of 1974 (ERISA) and is a non-profit corporation registered under Internal Revenue Code of 1986, Section 501(c)(9).

Timber Products Manufacturers, Inc. ("TPM" or "the Association") is an employer association with a group health trust operating in five states: Washington, Oregon, Idaho, Montana and Wyoming. TPM, which has been in existence since 1916, is a non-profit, non-stock corporation with a mission to improve, promote and advance the common interest and welfare of member employers in the timber and wood products industry. TPM has about 180 member companies covering 4,200 employees and their dependents. The Trust and TPM were established under the laws of the state of Washington. TPM was issued a Certificate of Incorporation in Washington on January 3, 1967.

There were thirty-three (33) Washington State participating employers with a total of one thousand five hundred and five (1,505) covered employees as of September 1, 2004.

TPM also established the Health Benefit Plan ("the Plan"). The Plan constitutes the primary authority for plan administration. The Plan is maintained for the exclusive benefit of employees of participating employers and those employees' covered dependents. The Trust is the administrator of the Plan; it has the authority to control and manage the operation and administration of the Plan, and have final authority for all issues affecting the Plan.

MANAGEMENT AND CONTROL

Board of Directors

In accordance with provisions of the Bylaws of TPM, the Board of Directors shall consist of no less than thirteen (13) elected Directors, together with all past elected Chairmen of the Association who are all members in good standing of the Association. All elected Directors and all past Chairmen, providing they are members in good standing of the Association, shall have full voice and voting privileges on the Board of Directors of the Association.

The elected Directors serving as of Fiscal Years 2003-2005 and their respective affiliation are as follows:

<u>Name</u>	<u>Affiliation</u>
Todd Johnson	Pyramid Mt. Lumber Co., Inc.
Greg McFarland, Executive VP	McFarland Cascade Corp.
Kyle Kerby	J.I. Morgan

Timber Products Manufacturers Trust

Mark Willard, Controller	White Water Forest Products, Inc.
Bill Clawson, President	Clawson Manufacturing Company
Don Konkol, President	Konkonville Lumber Company
Dick Molenda, Manager	Western Bee Supplies
Tom Shaffer	Rushmore Forest Products
Mike Clements, CFO	Intermountain Orient
Sandy Weller, Secretary/Treasurer	K.J. Weller, Inc.
Jeff Bosma, President	Fast Way Freight Systems, Inc.
Roger Claridge, President	Thompson River Lumber Company

There were twelve elected Directors and one vacancy as of September 17, 2004.

Officers

The following Executive Committee is serving as of Fiscal Years 2003-2005:

<u>Name</u>	<u>Title</u>
Greg McFarland	Chairman
Dick Molenda	Vice Chairman
Todd Johnson	Treasurer
Charles Fox	President/Secretary/ Asst. Treasurer
Earl DeFur	First Past Chairman
John Bennett	Second Past Chairman
Wayne King	Third Past Chairman
Mark Willard	Member at Large

Trustees

The Trustees serving as of August 31, 2004 and their respective affiliation are as follows:

<u>Name</u>	<u>Affiliation</u>
Loren Rose, Chairman	Pyramid Mountain Lumber, Inc.
Dick Molenda, Vice Chairman	Western Bee Supplies
Mike Clements	Intermountain-Orient, Inc.
Bill Clawson	Clawson Manufacturing Company
Ernie Schmidt	Wyoming Sawmills
Pat Marion	L.D. McFarland Company

Timber Products Manufacturers Trust

Greg Lambert
Mike Badger

Mid-Oregon Personnel Services, Inc.
Badger Building Center

There were eight active Trustees and one Trustee vacancy as of September 17, 2004.

AFFILIATED COMPANIES

Timber Products Manufacturers, Inc., is a Washington corporation acting on behalf of an association of employers. TPM sponsors a self-funded employee health and welfare benefit plan and has established a Trust known as the Timber Products Manufacturers Trust to fund and administer the benefits provided under the Plan.

SURPLUS

As of August 31, 2004, the Trust's surplus (total fund equity) equaled \$4,094,843 which was greater than the statutory surplus of \$2,000,000, as required by RCW 48.125.060.

RISK-BASED CAPITAL (RBC)

The RBC report submitted by the Trust indicated that the ratio of actual surplus to the Authorized Control Level was three hundred and twelve percent (312%) as of August 31, 2004. The Trust was in compliance with the reporting requirements under RCW 48.125.130.

STATUTORY DEPOSIT

On October 13, 2004, the Trust deposited the sum of \$200,000 with Washington Trust Bank (WTB) in a tri-party depository agreement between the WTB, the Trust, and the Washington State Office of the Insurance Commissioner. The depository agreement was executed as required under RCW 48.125.040(1)(b)(i)(A).

RECOMMENDATION

As of October 13, 2004, the Trust has been found to be in compliance with the pertinent provisions of the Washington Insurance codes. Based on the findings and conclusions of the examiners, the Trust has sufficient surplus and meets RBC and statutory deposit requirements to qualify for a Certificate of Authority as a Self-Funded Multiple Employer Welfare Arrangement to provide health care services in the state of Washington.

Timber Products Manufacturers Trust

FINANCIAL STATEMENTS

The following examination financial statements show the financial condition of the Trust as of August 31, 2004:

Statement of Assets, Liabilities and Fund Balance As of August 31, 2004

	<u>Balance Per Company</u>	<u>Examination Adjustments</u>	<u>Balance Per Examination</u>
<u>ASSETS</u>			
Total Trust Cash	\$965,972	\$0	\$965,972
Total Receivables	144,715	0	144,715
Total Investments	5,748,650	0	5,748,650
Total Assets	<u>\$6,859,337</u>	<u>\$0</u>	<u>\$6,859,337</u>
<u>LIABILITIES</u>			
Total Current Liabilities	\$2,764,494	\$0	\$2,764,494
<u>SURPLUS</u>			
Total Fund Equity	4,094,843	0	4,094,843
Total Liabilities and Surplus	<u>\$6,859,337</u>	<u>\$0</u>	<u>\$6,859,337</u>

Timber Products Manufacturers Trust

AFFIDAVIT

STATE OF WASHINGTON

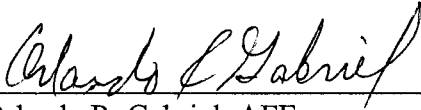
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COUNTY OF KING

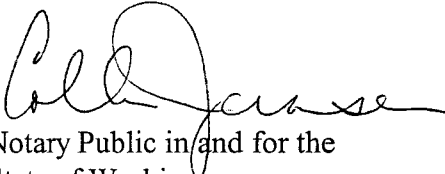
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Orlando R. Gabriel, AFE, being duly sworn, deposes and says that the foregoing report subscribed by him is true to the best of his knowledge and belief.



Orlando R. Gabriel, AFE
Examiner-in-Charge
State of Washington

Subscribed and sworn to before me this 13th day of December, 2004.



Notary Public in and for the
State of Washington.

